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Governor

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH CARE FINANCING AND POLICY

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MICHAEL J. WILLDEN
Director

CHARLES DUARTE
Administrator

January 31, 2012

Lorne J. Malkiewich, Director
Legislative Counsel Bureau
401 S. Carson Street
Carson City, NV 89701

Re: SB 278, Sec. 16 Reporting

Mr. Malkiewich:

Per SB 278, Sec. 16 of the 2011 Legislative Session, Chapter 232 of the NRS was amended to add a new section regarding the rate of reimbursement for Physicians who participate in the Medicaid and/or Children's Health Insurance Program. The amendment states that Health and Human Services is to provide a report detailing the Medicaid and Children's Health Insurance Program rate of reimbursement for physicians which is provided on a Fee for Service basis and which is lower than the rate provided on the current Medicare fee schedule for care and services provided by physicians. This is the first submission of the report which will be performed and reported on an annual basis.

In the attached report you will find an analysis of all CPT and HCPCS codes eligible for reimbursement under the Nevada Medicaid Physician Fee for Service schedule which reimburse at a lower rate than the Medicare fee schedule. For the purposes of this analysis, data from the 2011 fee schedules for both Medicaid and Medicare were utilized because the annual update from CMS does not occur until January of each year. The January posting time from CMS would not allow for adequate analysis before this report is due on February, 1st. This report will have a one year lag time for this reason. This report also includes the comparison of Laboratory, Durable Medical Equipment and Anesthesia codes as they are payable to physicians even though they are not included in the Medicare Physician fee schedule. An analysis of anesthesia is not provided as part of this report. A portion of the anesthesia rate calculation is based on time and since time under anesthesia can vary from case to case it would not be feasible to calculate the exact rate for each case. Nevada Medicaid uses the CMS 2009 base units for anesthesia which were compared to the Medicare 2011 base units. It was found that the base units have not changed. Nevada Medicaid uses the CMS 2009 conversion factor of \$21.12 and the 2011 Medicare conversion factor was \$21.45.

The Nevada Medicaid Physician fee schedule rate was compared to the full value of the Medicare Physician fee schedule rate. This does not take into account that Medicare on average only reimburses the physician at 80% of that rate listed as the patient is responsible for 20% as their copay or co-insurance. Nevada Medicaid recipients do not have a copay or co-insurance. The rate of reimbursement to the Nevada Medicaid provider is the full amount listed in the fee schedule.

Reimbursement rates for the CPT and HCPCS codes were calculated using the nationally recognized formula provided by CMS. Payment rates for an individual service are based on three components: Relative Value Units (RVU), Conversion Factor (CF) and Geographic Practice Cost Indices (GPCI). There are three types of RVU's: Work, Practice Expense (PE) and Malpractice (MP). The Work

RVU reflects the level of time and intensity associated with providing the service. The PE RVU reflects the cost of maintaining the practice. The MP RVU represents the remaining portion of the total payment associated with a service. The GPCI is an adjustment that is applied to each of the RVU's. The purpose of these adjustments is to account for geographic variations in the cost of practicing medicine in different areas within the country. For 2011 the Medicare assigned GPICs for Nevada are: PE GPCI of 1.042, MP GPCI of 1.149 and Work GPCI of 1. To determine the rate for a particular service each of the three RVU's is adjusted by the corresponding GPCI. The sum of the geographically adjusted RVUs is multiplied by a dollar Conversion Factor.

- 2011 Non-Facility Pricing Amount =
[(Work RVU * Work GPCI) + (Transitioned Non-Facility PE RVU * PE GPCI) +
(MP RVU * MP GPCI)] * Conversion Factor (CF)
- 2011 Facility Pricing Amount =
[(Work RVU * Work GPCI) + (Transitioned Facility PE RVU * PE GPCI) +
(MP RVU * MP GPCI)] * Conversion Factor

Medicare reimburses at either a Facility or Non Facility rate based on the location the service was provided; Nevada Medicaid does not. In the Nevada Medicaid Fee for Service schedule specific codes are either assigned a Facility or Non Facility rate.

Per State Plan, Nevada Medicaid uses the 2002 Medicare Physician Fee Schedule CF of \$36.1992. The RVU is dependent upon which year the code was set in MMIS. Example: If the code was set in MMIS in 2010, then the relative value units that were effective in 2010 would be used for the code. The conversion factor and RVU's for Medicare fluctuate each year. For 2011 the Medicare CF was set at \$33.9764 and Medicare uses the most current year's RVU's to calculate the rate of reimbursement for each code. Nevada Medicaid reimburses Surgical codes 10000 – 58999 and 60000 – 69999 at 100% of the Medicare facility rate. Radiology codes 70000 – 79999 are reimbursed at 100% of the Medicare facility rate for the year the code was set in MMIS. Medicine codes 90000 – 99199 and Evaluation and Management codes 99201 – 99499 are reimbursed at 85% of the Medicare non-facility rate. Vaccine products 90476 – 90749 are reimbursed at 85% of the Medicare non-facility rate. Obstetrical services codes 59000 – 59999 are reimbursed at 100% of the Medicare non-facility rate. Laboratory and pathology codes 80000 – 89999 will be reimbursed at the lower of billed charges not to exceed 50% of the rate allowed by the Medicare fee schedule.

Please see the attached analysis for additional information. As mandated by SB 278, Sec. 16, this analysis will also be available through the Division of Health and Human Services website. If you have any additional questions, please contact Tiffany Lewis at (775) 684-3689 or tiffany.lewis@dhsfp.nv.gov.

Sincerely,



Charles Duarte
Administrator

Cc: Michael J. Willden, Director, Health and Human Services
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